

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING
AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

EXECUTIVE SUMMARY

Management successfully implemented our recommendations included in our examination of the 1999 and 1998 contracts.

We had no significant findings to report for the fiscal years ended June 30, 2001 and 2000 and, as such, contain no recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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TEL #: (401) 222-2768
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September 23, 2002

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation, and Hospitals.
Barry Hall - 2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and The Providence Center for Counseling and Psychiatric Services for the fiscal years ended June 30, 2001 and 2000.

The results of our engagement included herein, have been discussed with management and we have considered their comments in the preparation of our report. Since this report discloses no significant findings and recommendations, no written response is necessary as required by Section 35-7-4 of the General Laws.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of the Providence Center for Counseling and Psychiatric Services for their assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

SCOPE AND PURPOSE

The purpose of this examination was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues and expenses were matchable or nonmatchable;
- total matchable revenue used as the basis for funding fiscal years 2003 and 2002;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our examination of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health centers to provide mentally disabled adults services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that The Providence Center for Counseling and Psychiatric Services operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center's Administrative Offices are located at 951 North Main Street, Providence, Rhode Island.

The Center is governed by a board of Trustees who are the members of the Providence Community Mental Health Board, appointed by the City of Providence. Presently, there are twenty-one trustees of which seven members of the Board of Trustees shall constitute a quorum at all meetings of said Board.



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Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and the Providence Center for Counseling and Psychiatric Services (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Health Care Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the matching Grant contracts and with the financial terms and conditions contained within the Community Support Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 2001 and 2000, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

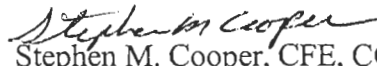
For purposes of this engagement we tested compliance with the above-mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, nothing came to our attention that caused us to believe that there were instances of noncompliance with the conditions contained within MHRH's Matching Grant and Community Support and Related Services Contracts for the fiscal years ended June 30, 2001 and 2000.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Ms. A. Kathryn Power, Director
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This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
April 3, 2002

SMC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
 STATEMENT OF REVENUES AND EXPENSES
 FISCAL YEAR ENDED JUNE 30, 2001

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient	Other Programs	Total
<u>Revenues</u>				
MHRH	\$ 1,308,042	264,026	-	1,572,068
Other State & Federal	1,008,054	3,037,767	1,793,473	5,839,294
Title XIX Medicaid	7,361,911	541,806	2,069,699	9,973,416
Municipalities	215,000	30,000	1,632,664	1,877,664
Fund Raising & Contributions	5,096	36,400	18,881	60,377
Client Fees & Rental Income	186,921	162,818	40,303	390,042
Third Party Reimbursements	422,863	536,184	414,149	1,373,196
Managed Care	-	1,248,231	-	1,248,231
Consultations & Other	356,131	3,663	313,212	673,006
Total Revenues	\$ 10,864,018	5,860,895	6,282,381	23,007,294
<u>Expenses</u>				
Personnel	8,972,440	4,733,758	4,797,186	18,503,384
Operating	1,645,301	878,822	988,308	3,512,431
Purchased Equipment	113,495	433,611	99,753	646,859
Total Expenses	\$ 10,731,236	6,046,191	5,885,247	22,662,674
Excess (Deficiency) of Revenues Over Expenses	\$ 132,782	(185,296)	397,134	344,620

See accompanying notes to financial information.

:SP-20a

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
 STATEMENT OF REVENUES AND EXPENSES
 FISCAL YEAR ENDED JUNE 30, 2000

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient	Other Programs	Total
<u>Revenues</u>				
MHRH	\$ 831,761	357,452	-	1,189,213
Other State & Federal	1,464,437	2,713,383	1,864,626	6,042,446
Title XIX Medicaid	7,232,911	440,372	1,752,932	9,426,215
Municipalities	-	135,000	1,505,565	1,640,565
Fund Raising & Contributions	74	29,831	12,440	42,345
Client Fees & Rentals	157,089	164,423	31,327	352,839
Third Party Reimbursements	1,127,820	442,494	342,783	1,913,097
Managed Care	-	1,413,089	-	1,413,089
Consultations & Other	322,510	404	88,079	410,993
Total Revenues	\$ 11,136,602	5,696,448	5,597,752	22,430,802
<u>Expenses</u>				
Personnel	8,282,812	4,308,025	4,173,368	16,764,205
Operating	2,566,647	869,387	891,043	4,327,077
Purchased Equipment	156,344	158,544	75,232	390,120
Total Expenses	\$ 11,005,803	5,335,956	5,139,643	21,481,402
Excess (Deficiency) of Revenues Over Expenses	\$ 130,799	360,492	458,109	949,400

See accompanying notes to financial information.

:SP-20b

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
 STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
 FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

	Fiscal Year Ended June 30	
	2001	2000
<u>Beginning Balance</u>	\$ -	-
Revenues Received Designated for Programs	<u>9,973,416</u>	<u>9,426,215</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	7,361,911	7,232,911
Adult General Outpatient Program	541,806	440,372
Other Programs	<u>2,069,699</u>	<u>1,752,932</u>
Total Applied	<u>9,973,416</u>	<u>9,426,215</u>
Ending Balance	\$ <u>-</u>	<u>-</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
 STATE MATCHING PROGRAM
 DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS
 FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

		<u>Fiscal Year Ended June 30</u>	
		<u>2001</u>	<u>2000</u>
<u>State Funds Allocated:</u>			
Adult General Outpatient Services	\$	325,039	335,230
Community Support, Residential and Acute Alternatives		<u>325,039</u>	<u>335,230</u>
		<u>650,078</u>	<u>670,460</u>
Matchable Revenues-Fiscal Years Ended June 30, 1999 and 1998		<u>1,459,735</u>	<u>1,306,094</u>
<u>Determination of Over (Under) Payment of State Funds:</u>			
State Funds Allocated (Note 2)		650,078	670,460
Deduct lesser of:			
(a) Applicable Percentage of Matchable Revenues		650,078	670,460
(b) State Funds Allocated		650,078	670,460
Maximum Support - Lesser of A or B (Note 3)		<u>650,078</u>	<u>670,460</u>
Over (Under) Payment of State Matching Funds		<u>-</u>	<u>-</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDAION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

NOTES TO FINANCIAL INFORMATION

Note 1 – Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Health Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 – State Funds Allocated – Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of the Providence Center for Counseling and Psychiatric Services.

Note 3 – Maximum Support – Exhibit D

State funds allocated are subject to the lessor of the following:

- A. 44.534% of the matchable revenue for the fiscal year ended June 30, 1999 and 51.333% of the matchable revenue for the fiscal year ended June 30, 1998.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

Note 4 – Other Programs – Exhibits A and B

These amounts represent funding from sources other than MHRH-Division of Behavioral Health Care Services.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
STATE MATCHING PROGRAM
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

	Fiscal Year Ended June 30	
	2001	2000
<u>State of Rhode Island</u>		
Adult General Outpatient Program	\$ 264,026	831,761
Community Support, Residential and Acute Alternatives	<u>1,308,042</u>	<u>357,452</u>
Total State Funds Allocated	1,572,068	1,189,213
<u>Matchable Revenues</u>		
Municipalities	1,776,731	1,583,463
Fund Raising & Contributions	<u>83,340</u>	<u>42,345</u>
Total Matchable Revenues (For Fiscal Years Ended June 30, 2003 and 2002)	1,860,071	1,625,808
<u>Nonmatchable Revenues</u>		
Title XIX Program	9,973,416	9,426,215
Other Programs	77,970	57,102
Other State & Federal	5,839,294	6,042,446
Client Fees, Activities & Rental Income	390,042	352,839
Third Party Reimbursements	1,373,196	1,913,097
Consultations, Managed Care & Misc.	<u>1,921,237</u>	<u>1,824,082</u>
Total Nonmatchable Revenues	<u>19,575,155</u>	<u>19,615,781</u>
Total Revenues (Exhibit A & B, Respectively)	\$ <u><u>23,007,294</u></u>	<u><u>22,430,802</u></u>

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

CURRENT YEARS FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Center's programs for the fiscal years ended June 30, 2001 and 2000 are summarized below:

Revenues Excess (Deficiency) – Exhibits A and B

<u>Program</u>	<u>2001</u>	<u>2000</u>
Community Support, Residential, and Acute Alternatives	\$ 132,782	\$ 130,799
Adult General Outpatient	(185,296)	360,492
Other Programs	<u>397,134</u>	<u>458,109</u>
Total Revenue (Deficiency)	\$ <u>344,620</u>	\$ <u>949,400</u>

Community Support, Residential, and Acute Alternatives

The Community Support, Residential, and Acute Alternatives Program has total excess revenues in the amount of \$263,581 for the fiscal years ended June 30, 2001 and 2000 (See Exhibits A and B).

The Department of MHRH determines the use and disposition of excess revenues.

State Matching Program

It was determined that there was no over or under payment of state matching funds during the period audited. (See Exhibit D).

Matchable Revenues were examined for fiscal years ended June 30, 2001 and 2000 and are summarized as follows:

	<u>2001</u>	<u>2000</u>
Municipal Revenues	\$ 1,776,731	\$ 1,583,463
Fund-Raising & Contributions	<u>83,340</u>	<u>42,345</u>
Total Matchable Revenues	\$ <u>1,860,071</u>	\$ <u>1,625,808</u>

Funds received in the fiscal years ended June 30, 2001 and 2000 will be the basis for determining state funds allocated by the Department of MHRH for the subsequent fiscal years ending June 30, 2003 and 2002, respectively.

Revenue Deficiencies

It is our understanding that each contract stands on its own and that any expenses in excess of the contracted amounts be absorbed by the Provider.

During the period under review the following Division of Behavioral Health Services contract had a revenue deficiency (Exhibit A):

Adult General Outpatient \$ (185,296)

Affiliated Corporations

The Center formed several nonprofit corporations which provide services adjunctive to the Center's programs. For the most part, the same Trustees serve both the affiliates and the Center. A listing of the affiliates follows.

Grandview Realty, Inc.

This nonprofit corporation was formed in 1983 to own an apartment building which is used as a residence for chronically mentally ill clients served by the Center, and to administer the HUD Section 8 mortgage.

Standard Realty, Inc.

This nonprofit corporation was formed in 1982 to own and operate rental apartments for chronically mentally ill clients served by the Center.

Grandview Second Corporation

This nonprofit corporation was formed in 1989 to own and operate rental apartments for chronically mentally ill adult clients served by the Center.

ProMail, Etc.

This nonprofit corporation was formed in 1998 to sell services and products of workers in need of mental health care who are employed by the corporation.

Nashua Street Corporation

This nonprofit corporation was organized in 1999 to own and operate ten rental apartments for individuals with mental illness.